DOCUMENT RESUME

ED 245 312 EA 016 846

AUTHOR Hickrod, G. Alan; And Others
TITLE Proposal for a Venture Capital Grant: A Programmatic Approach to Excellence in Illinois Public Schools.
INSTITUTION Illinois State Univ., Normal. Center for the Study of Educational Finance.
PUB DATE 3 Mar 84
NOTE 12p.; Paper prepared for Speaker of the House Michael J. Madigan's Conference on Education Reform and School Improvement (Springfield, IL, March 3, 1984).
PUB TYPE Reports - Evaluative/Feasibility (142) -- Legal/Legislative/Regulatory Materials (090) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Categorical Aid; Educational Equity (Finance); *Educational Finance; Elementary Secondary Education; *Equalization Aid; Expenditure per Student; Family Income; *Grants; Program Costs; Program Development; Program Implementation; School Funds; State Aid
IDENTIFIERS *Excellence in Education; *Illinois

ABSTRACT

A new formula proposed for categorically funding local education programs in Illinois can channel more money into programs for excellence than can general purpose grants. The formula, which would provide venture capital to stimulate local initiatives, would depend on district plans for using the money to improve instruction and on distribution of monies according to an equalization formula. By thus balancing the grants awarded against the district income, the state would allot grants by multiplying a constant ($250) times the ratio of district personal incomes per pupil (DI) over state average income per pupil (SI), with this total multiplied by a district's weighted average daily attendance (WADA) and a constant equalization factor: G=$250 (1-.80 DI/SI) WADA. Appropriate programs fundable under such grants would include master teaching projects, technology for lower-income school districts, and projects to improve classroom conditions. With suitable legislative safeguards, this formula should help attain excellence without thwarting equity goals. (JW)

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We have come to the reluctant conclusion that none of the traditional forms of "entitlement" grants which are given to local school districts by state governments do very much to stimulate new initiatives in education at the local level. The old "resource equalizer" grant, at least during the period from 1973 to 1979 in Illinois, might have stimulated some local innovation in education through the "reward for effort" provisions of that grant. However, recent research at Stanford, conducted by Tsang and Levin, suggests that state general purpose grants are used at least 50% for property tax relief, rather than for additional education expenditures at the local level.[1/] These proportions might be different for Illinois, but without "maintenance of local effort" provisions in the Illinois law, we strongly suspect that much of the general purpose grant-in-aid has gone for property tax relief, and not for additional spending.[2/] However, even if the whole amount of new general purpose state aid went for additional spending, and not for tax relief, the problem seems to be that the new state monies are often channeled into exactly the same kind of expenditures as the old monies. It appears to us, therefore, that only a categorical grant can assure the General Assembly that the kind of innovation needed at the local level to move the state toward excellence in education will actually take place. In our judgment neither block grants nor the traditional kind of general purpose grant will do the job.

Therefore, we are proposing today that the General Assembly consider the following kind of categorical grant which is intended to provide for innovative and developmental activities at the local level. There are two major characteristics of this grant. First, and foremost, although an entitlement formula is used to ascertain how much money each district might receive, we intend that the district not receive these funds until a plan has been both filed with, and approved by, the State Board of Education. The plan should explicate how

the money will be used to increase excellence in education at the local district. Obviously, should our proposal receive serious consideration, the programmatic personnel in the State Board of Education would need to develop rules and regulations for the submission and review of the plans. It would, therefore, be helpful if the bill contained some contractual money, in addition to program money, so that the Board could receive assistance from additional personnel in developing and reviewing these grants. Second, this is an equalization grant. Poor school districts will receive more funds than will rich school districts. Again, in our judgment, grants for excellence should not be given without regard to the wealth of a district, since to do that would move the state further away from equity goals and abundant research by the Center for the Study of Educational Finance has shown that Illinois is already moving away from equity goals in education.[3/] We concur with Allan Odden, a noted authority in school finance, who has recently argued that any funding system designed for the attainment of excellence goals should not thwart the attempt to reach equity goals.[4/] We acknowlege, however, that the parameters described in the formula below might not provide enough funds for innovation and development in income-rich districts and those parameters, like all entitlement parameters, can certainly be changed in the legislative process. The proposed legislation will be more politically acceptable if all school districts in the state receive some minimum sum per pupil, say $50.00, regardless of the wealth of the district. And it is certainly true that wealthy districts, as well as poor districts, need help in achieving excellence.

Local school districts would receive their entitlement amounts under the following formula which is the same formula as recommended for another purpose in some recent research funded by the Illinois School Problems Commission:[5/]

$$G = \$250 \left[1 - .80 \frac{DI}{SI} \right] WADA$$

where: G = excellence grant in education

DI = personal income per TWADA in the district

SI = personal income per TWADA in the state for the separate populations of elementary, high school, and unit districts

WADA = weighted average daily attendance

Again, we would stress that the entitlement amount would not be received until the spending plan had been approved by the State Board of Education. The attached graph illustrates the distribution of the money in relation to the income per TWADA of the districts.

We have simulated the costs to the state, and had this plan been in effect in 1982, it would have cost slightly in excess of $106 million in new dollars to the state. New simulations would obviously be needed before this legislation can be introduced. With the necessary funds for review of programs and administration plus the updated simulations we are probably talking about $125 million in new dollars for K-12 education. We do not think this is an excessive price to pay for excellence in education in Illinois. Some districts would, of course, profit from this more than others. For example, under the 1982 simulations, the City of Chicago would have gained about $18 million in new dollars for education and $3.5 million in new dollars would have gone to East St. Louis. Other simulations with other income specifications have been completed and we know that the exact income specification used does make a difference in the distribution of funds. For example, a per capita income specification does not lay the same distribution of funds as a per student income specification. Both the State Board of Education and the Illinois School Problems Commission have the capability of simulating the various permutations and combinations of the basic model presented here, or they might wish to contract out the simulations.

Many proposals to increase the "excellence" of the public schools are being put forward throughout the nation.[6/] Regrettably, some of these are quite

expensive, like lengthening the school year, and some would require extensive changes in personnel structures, like providing for "Master Teacher" programs and "career ladder" programs. It is perfectly possible that the new Master Teacher programs would have desirable effects on the public schools. However, we believe that a relatively open-ended categorical grant which provides a state incentive for local innovation and encourages the reallocation of local resources might be a much faster way and a less expensive way to move us toward the goal of excellence in the public school than most Master Teacher proposals. There is another, perhaps more fundamental reason, to push now for a categorical grant based on local innovations. As Lorraine McDonnell has recently pointed out, in time of fiscal contraint, "Innovation also helps maintain the morale of the most productive staff because it gives them a sense that new ideas will be welcome and that there is something more challenging to do than just 'weather the storm'."[7/] It is perfectly possible that in "hard times" you need innovation more than you do when fiscal prospects are more cheerful.

Since the purpose of this proposed categorical is to stimulate local initiatives, it would not be useful to spell out in detail what kinds of programs will be funded. However, enough information needs to be given so that the General Assembly has an idea what the funds will be used for, and local superintendents understand the kinds of programs they need to be thinking of funding under this system. What we basically intend to be provided is venture capital. Some venture capital was provided in the old Title IV-C federal grants, but that stimulus to local incentives has now been lost in the federal block grant arrangements. Certainly the mini-grants under the old IV-C arrangement would be candidates for this new type of state funding. We should also think that attempts to bring new technology into the public schools through the use of micro-computers would be a possibility under these new funds. Some observers believe we are dangerously

close in Illinois and other states to having "high tech for the rich districts and low tech or no tech for the poor districts." Since the poorer districts receive more funds under the proposed arrangements, they could use part or all of these funds to upgrade their hardware and software technology. Systems of merit bonus for teachers could also qualify under this new grant. Since the richer districts receive less under the grant, they might want to use the smaller amounts of money to provide a yearly bonus to their more innovative teachers. In a sense this would simply be rewarding some teachers in these richer districts for the innovation they have already shown in the past. Whether the grant is used for programs, technology, or teachers, it ought not be considered a permanent subsidy to the local budget. This would defeat the innovative aspect of the grant. Probably a funded project ought not last for more than five years with new proposals needed after that five year period.

As one example of a programmatic target for excellence grants, we suggest the funding of "master teaching projects." Both discretionary and competitive grant awards could be made to teams, and/or districts, as well as individuals, upon proposal of projects to improve instructional performance. These projects would focus upon instructional units and on instructional behavior. The grants would provide for both released time and support funds to develop exemplary modules of teaching activity. Master teaching could be promoted and developed in lab schools and other university facilities dedicated to instructional improvement.

The appeal of this programmatic approach is in its focus on teaching behaviors alone. There is no requirement that individual teachers be identified as "master teachers"; instead, the focus is on developing model teaching behaviors that can be transferred easily to all teachers. There is no need to develop a special salary supplement (although this could be done, too), nor to

create a new promotional rank at the level of "master teacher." The impact of the program could be much broader than the impact of other proposals to recognize outstanding individual teachers; the goal is to develop of new instructional packages which can be directly implemented to the benefit of large numbers of students. By making the grants semi-competitive, the program becomes a stimulus to positive changes in professional performance.

Finally, the impact of the programmatic approach to excellence will probably be to improve greatly working conditions for classroom teachers, which should appeal to teachers' organizations. Invidious distinctions among classroom teachers, which are generally not acceptable to teachers' organizations, may be eliminated If handled correctly, the programmatic approach to excellence is a way to avoid some of the controversy between teachers' organizations and administrators which can be observed currently in Tennessee and Florida with their "master teaching" approaches.

The programmatic approach to excellence is not without its own set of problems, and we freely acknowledge these problems. For example, competitive awards frequently end up going to rich school districts and large school districts because those districts have the extra administrative personnel who can find the time to write the proposals and to plan the projects. If our program is adopted in Illinois, provision would need to be made so that poor districts and small school districts would receive the extra administrative help needed to submit their plans on time and in sufficient detail that the State Board can determine whether or not they are feasible. By making the program only semi-competitive, e.g., the entitlement formula assures an available sum of money to the poor and small districts if their programs are approved, we hope to have partially solved the traditional equity problem found in all competitive grants. Since the excellence award is given to programs, and not to individuals, it will reward

local administrators as well as local teachers. However, this may well be a strength of the proposal and not a weakness. "Unit citations" have a long tradition in the military establishment and seem to have worked rather well along with individual citations. Obviously, one criterion for program approval at the state level would need to be evidence of strong classroom teacher involvement in the project at the local level. It does also put yet another task on the shoulders of the State Board, but if sufficient contract funds are provided, then the task of reading and evaluating the excellence proposals can be shared with personnel outside the Board staff.

Finally we wish it clearly understood that this proposal does not in any way replace other proposals which the Illinois State Board has been promoting in particular, the Resource Cost Model (RCM). The RCM is not, at least in our judgment, directed at innovation, local initiatives, or even excellence in education. Rather, it is directed at what is probably an even more important goal--that is adequacy of the entire educational program for all students in Illinois. Excellence, as we have conceived it in this proposal in terms of local innovation and local initiative, is actually the less expensive of three important goals in school finance: excellence, adequacy, and equity. Bringing the entire funding system to an adequate level of funding and bringing low spending districts up to more adequate levels of funding are much more expensive propositions than stimulating local incentives. However, an attack on all three goals is needed. A funding system that was excellent for some students but inadequate for most students, and inequitable for other students, would not be one that the authors of this proposal would ever support. However, we acknowledge that strong attacks on the equity and adequacy goals are directly tied to major increases in taxes and revenues and can be launched only at infrequent intervals. The kind of funding proposed here can be supported without these major tax increases.

In fact, we believe this new grant should be phased in over three years, so that local districts have time to generate sound plans and proposals. We would, therefore, propose that $50 million in new dollars be sought for this programmatic approach to excellence in FY86, with the balance funded in FY87 and FY88.

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1. Tsang, Mung, and Henry Levin, "The Impact of Intergovernmental Grants on Educational Spending," Stanford University: Institute for Research on Educational Finance and Governance, no date.

2. See Lee, Boon Y. and G. Alan Hickrod, Financial Problems of Central City School Districts in Illinois, a forthcoming publication of the Center for the Study of Educational Finance, supported by the Illinois School Problems Commission.

3. Hickrod, G. Alan, Ramesh B. Chaudhari, and Ben C. Hubbard, The Decline and Fall of School Finance Reforms in Illinois, 1983, Normal, Illinois: Center for the Study of Educational Finance, Illinois State University.

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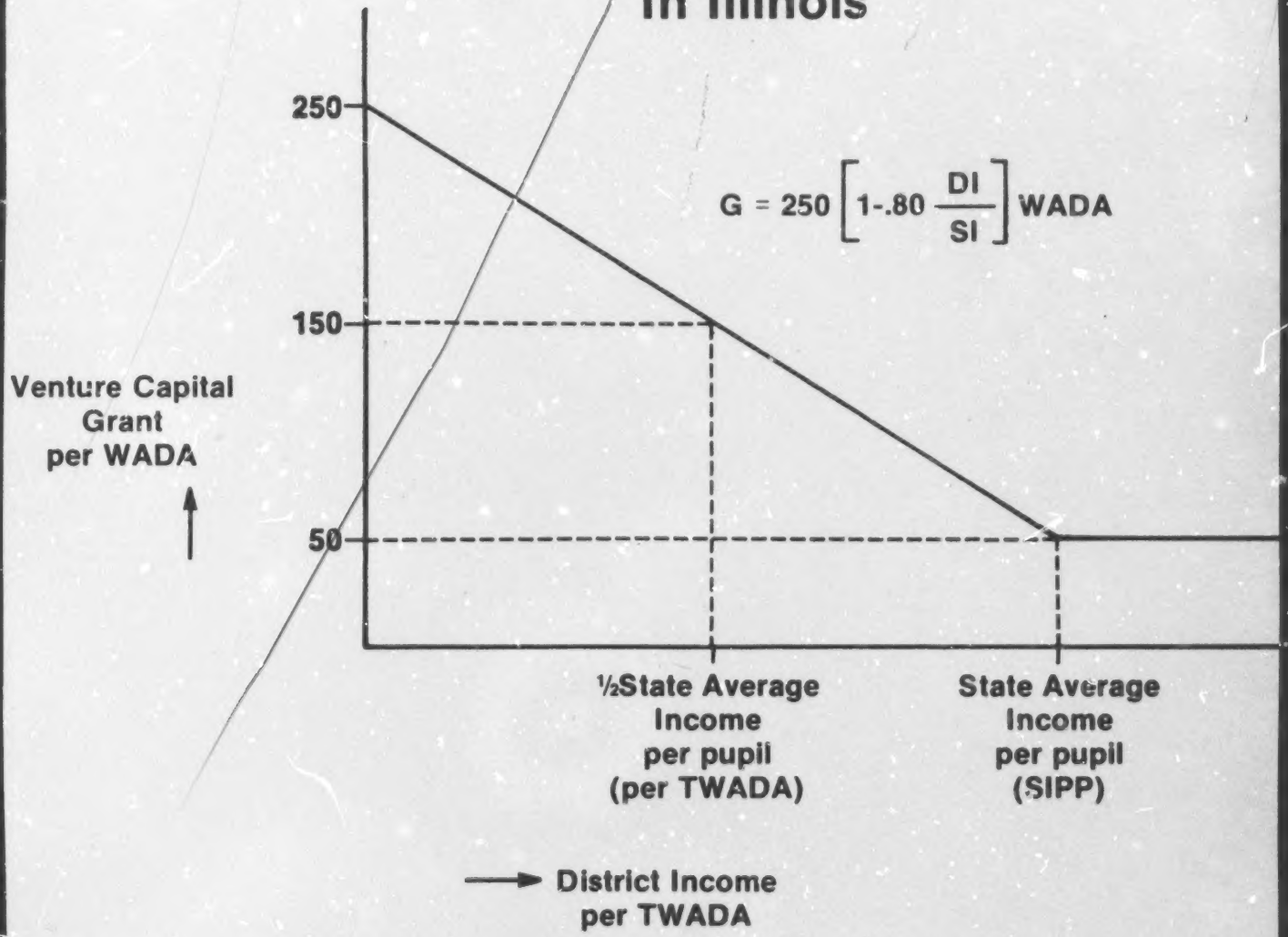
6. See Odden, Allan and L. De... Webb, School Finance and School Improvement, 1983, Cambridge, Massachusetts: Ballinger Publishing Company.

7. McDonnell, Lorraine M., "School Improvement and Fiscal Retrenchment," in Odden and Webb, Ibid.

Graphical Representation of the Venture Capital Grant In Illinois



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Illinois State University